



**BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT**

Proposed Fiscal Year End 2016 Budget

Budget and Finance Committee

April 22, 2015

Jeff McKay

Deputy Air Pollution Control Officer



OUTLINE

- Status of Current Fiscal Year End (FYE) 2015
- Review of Revenue and Expenditure FYE 2016
- Review of Proposed Policy Recommendations



Revenue Projections for Current FYE 2015

Out of \$65 M Budget

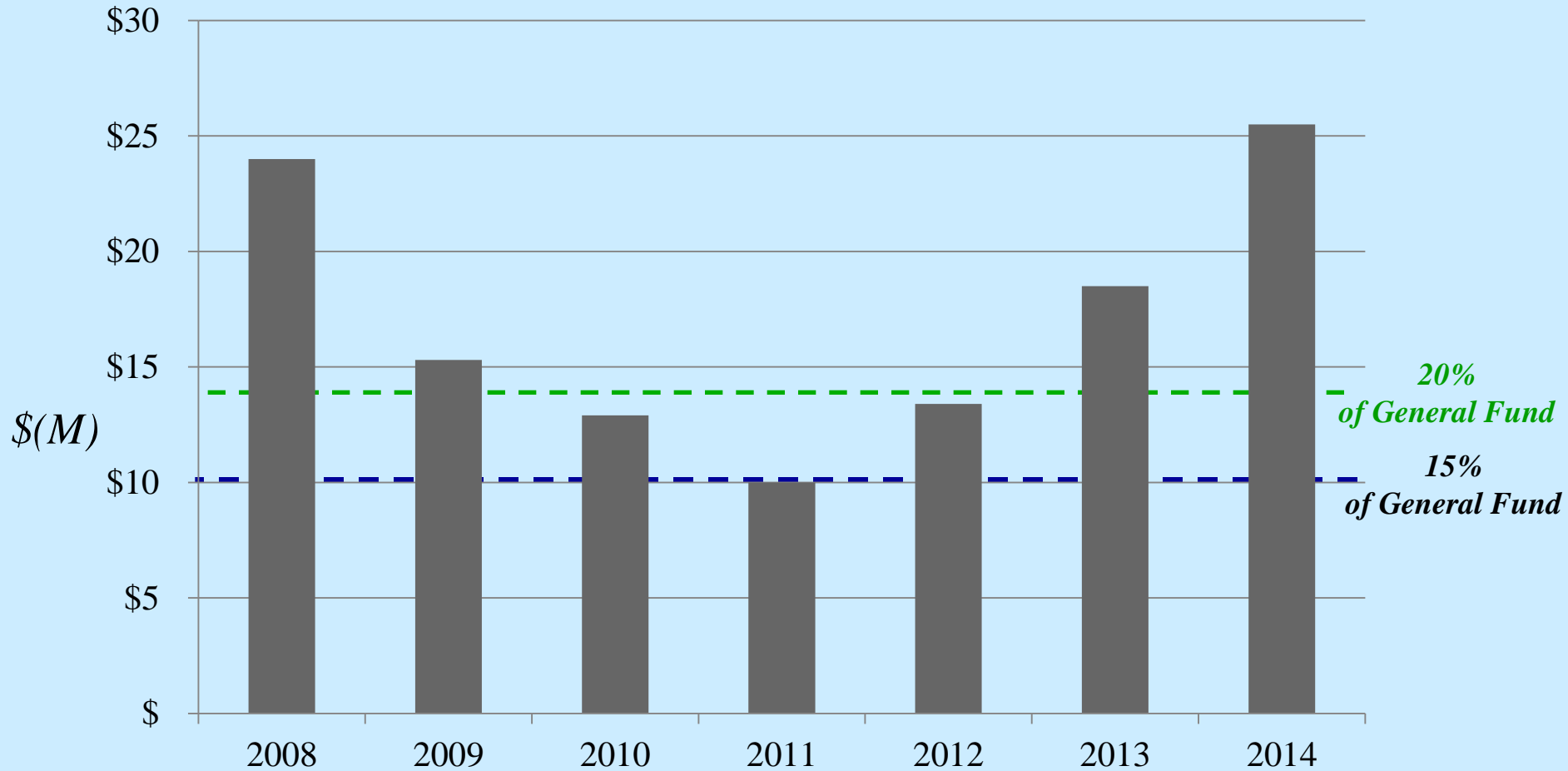
As of April 2015:

- Permit Fee revenue on target
- Property Tax revenue on target
- Expenditures on target



DISTRICT RESERVE FUNDS

Audited Values





APPROVED RESERVE TRANSFERS FYE 2015

- During FYE 2015 Board Approved Transfers:
 - \$1M for 375 Beale Street Design and Construction
 - \$1.4M for JDE Software Upgrade



OVERVIEW

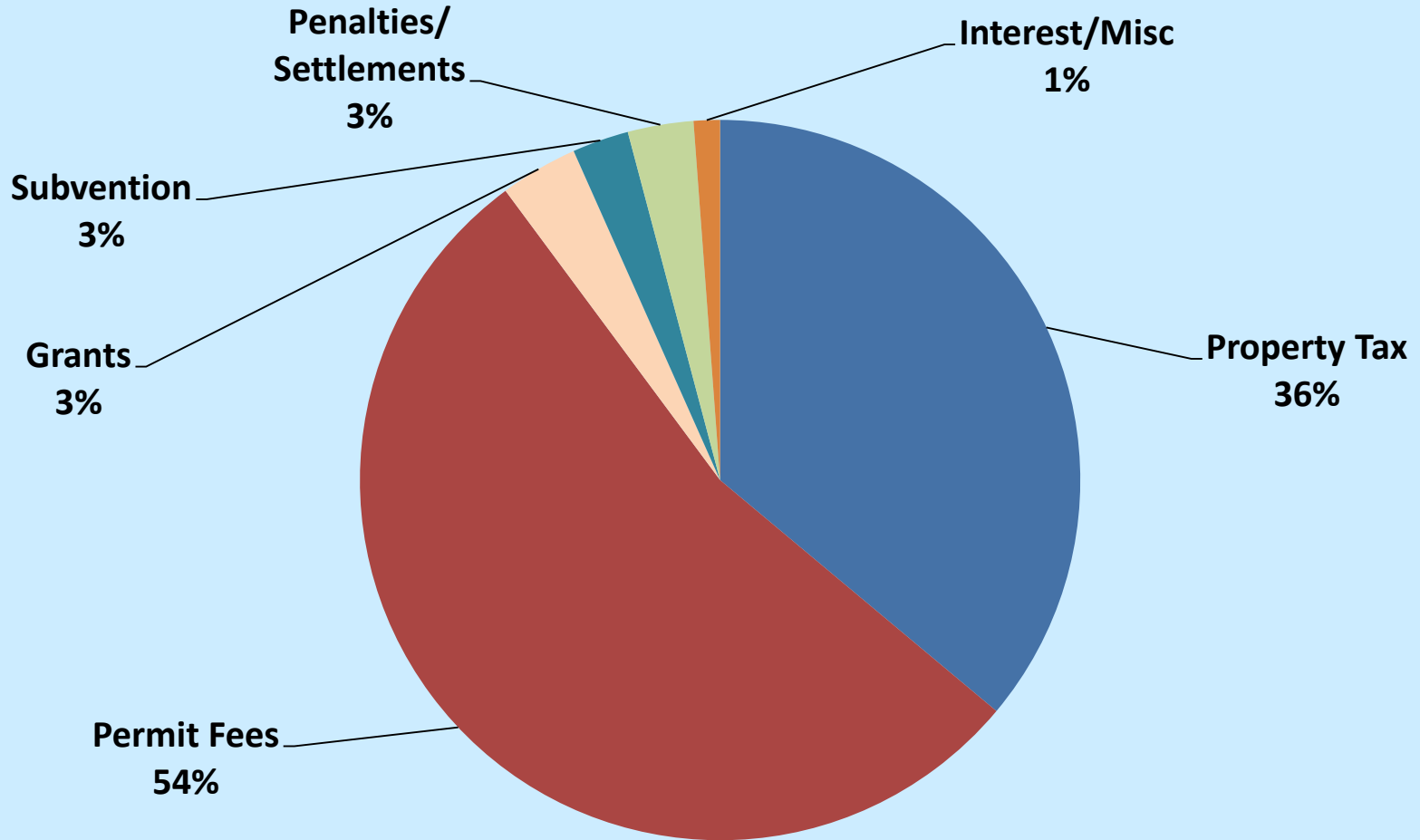
Proposed Budget for FYE 2016

(Excludes New Building Financing)

- \$72.5 M General Fund Budget
- Incorporates Cost Recovery Policy
- Additional GHG funding for 2 new positions
- Hire Staff: From 329 to 334 filled positions
- Addresses Retirement Liabilities
- Includes 2.6% COLA
- Use of Reserves & Proposed Reserve Policy



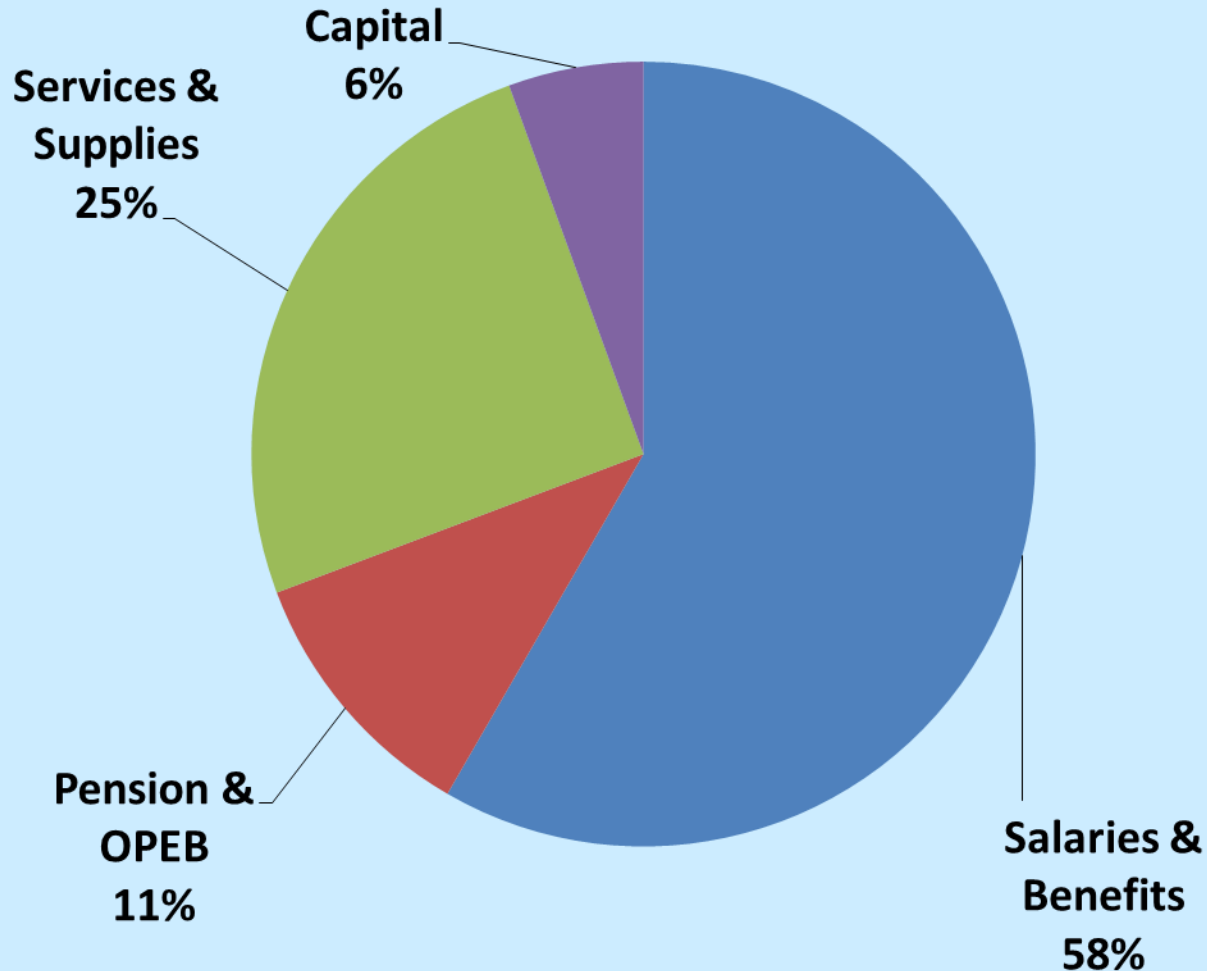
GENERAL FUND REVENUE SOURCES (FYE 2016 Proposed Budget)



Excludes Building Proceeds

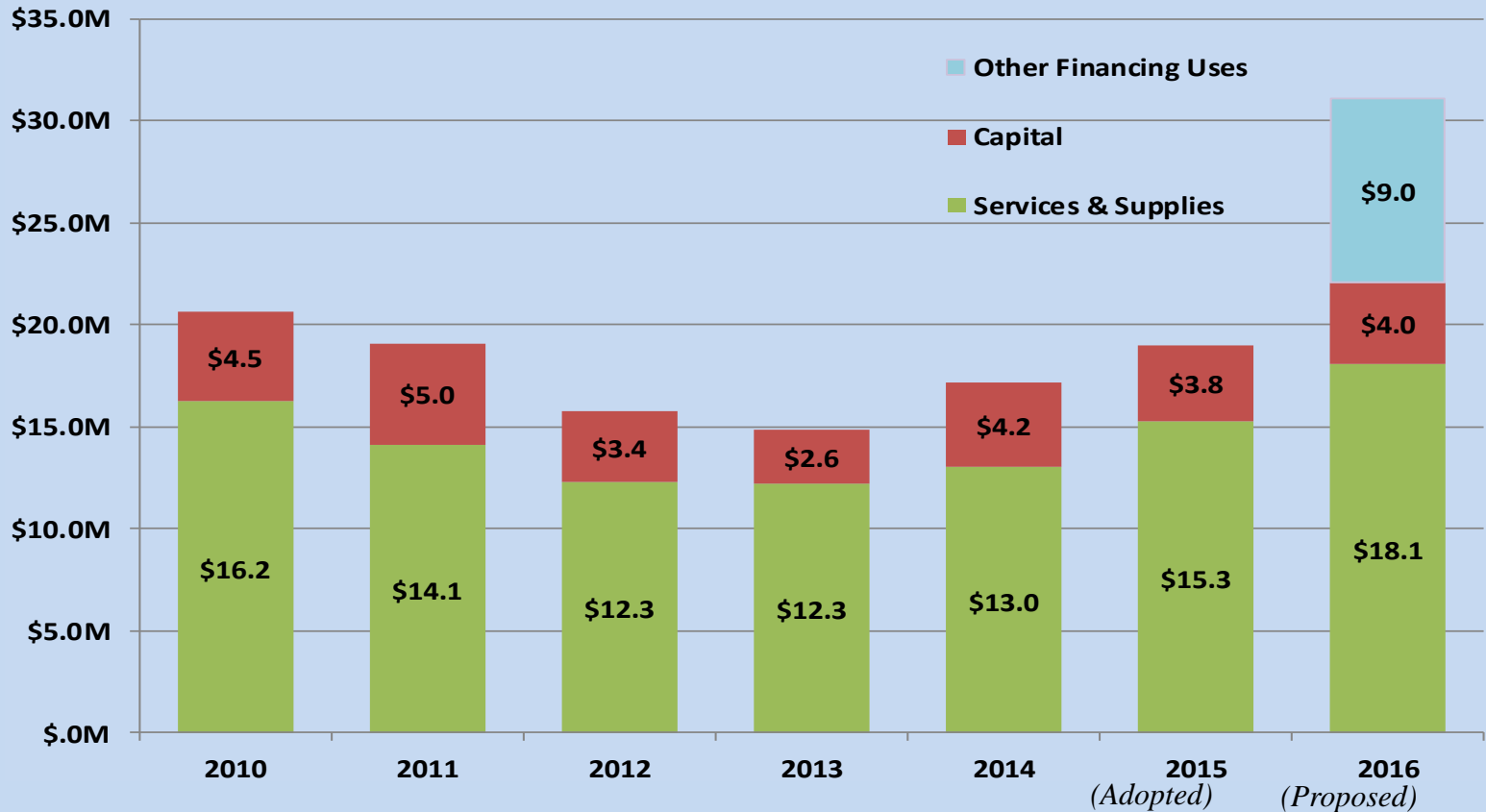


GENERAL FUND EXPENDITURES (FYE 2016 Proposed Budget)



Excludes Building Financing

CAPITAL and SERVICES & SUPPLIES



| | | | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Other Financing Uses | | | | | | | \$9.0 |
| Capital | \$4.5 | \$5.0 | \$3.4 | \$2.6 | \$4.2 | \$3.8 | \$4.0 |
| Services & Supplies | \$16.2 | \$14.1 | \$12.3 | \$12.3 | \$13.0 | \$15.3 | \$18.1 |
| Total | \$20.7 | \$19.1 | \$15.7 | \$14.8 | \$17.2 | \$19.0 | \$31.1 |



FYE 2016 PROPOSED FEES

- Fourth year of Cost Recovery Policy
 - Average 6.4% fee increase in FYE 2016 budget
 - Additional GHG fees to cover new programs
 - Strong involvement by regulated community



CLIMATE PROGRAM STAFFING

- Implementation of the Air District's 10-Point Climate Action Work Plan

- 4.6 cents per ton of GHG implemented over 2 years
 - 4 Positions (2 in 2015 and 2 in 2016)
 - Planning (2)
 - Inspection (1)
 - Technical (1)



FYE 2016 FTE STAFFING LEVEL

| | |
|--------------------------------|-----|
| FYE 2015 Budgeted Positions | 329 |
| FYE 2016 Recommended Positions | 5 |
| Total Budgeted Positions | 334 |

FYE 2016 FUND BALANCE SUMMARY

| FUND BALANCES | 6/30/2014 Audited | 6/30/2015 Projected | 6/30/2016 Projected |
|---|----------------------|------------------------|------------------------|
| Reserve for Building and Facilities | \$ 500,000 | \$ 500,000 | \$ - |
| Reserve for Capital Equipment Contingency | \$ 1,000,000 | \$ 1,000,000 | \$ 1,360,000 |
| Reserve for Economic Contingency (20%) | \$ 10,114,309 | \$ 10,114,309 | \$ 14,501,024 |
| Reserve for Fleet Contingency | \$ - | \$ - | \$ 1,000,000 |
| Reserve for IT-Desktop Equipment | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Reserve for IT- Event Response | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Reserve for JD Edwards Software Upgrade | \$ 1,000,000 | \$ 1,000,000 | \$ - |
| Reserve for Pension & Post Employment Liability | \$ 1,800,000 | \$ 1,800,000 | \$ 1,600,000 |
| Reserve for Tech- GHG Monitoring Equipment | \$ 360,900 | \$ 360,900 | \$ 360,900 |
| Reserve for Tech- Meterological Network Equipment | \$ 417,100 | \$ 417,100 | \$ 417,100 |
| Reserve for Tech- Mobile Monitoring Instruments | \$ 450,000 | \$ 450,000 | \$ 450,000 |
| Reserve for GHG Abatement Technology Study | \$ - | \$ - | \$ 500,000 |
| Reserve for Woodsmoke Program | \$ - | \$ - | \$ 1,000,000 |
| Reserve for Worker's Comp Self -Funding | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| Unreserved and Undesignated | \$ 7,404,751 | \$ 7,404,751 | \$ - |
| Prior Approved Transfers | \$ - | \$ (1,858,036) | \$ - |
| Proposed Use of Fund Balance | \$ - | \$ - | \$ (1,316,825) |
| TOTAL SPECIAL RESERVES | \$ 25,047,060 | \$ 23,189,024 | \$ 21,872,199 |
| Building Proceeds | \$ 14,668,200 | \$ 14,668,200 | \$ 14,168,200 |
| Building Financing Cost | - | (500,000) | (9,000,000) |
| TOTAL BUILDING PROCEEDS | \$ 14,668,200 | \$ 14,168,200 | \$ 5,168,200 |
| TOTAL FUND BALANCE | \$ 39,715,260 | \$ 37,357,224 | \$ 27,040,399 |



FYE 2016 USE OF RESERVES RECOMMEDATIONS

| | |
|--------------------------------|---------------------|
| 375 Beale Building Acquisition | \$9,000,000 |
| | |
| Information Technology | \$900,000 |
| | |
| Lab & Monitoring Equipment | \$416,825 |
| | |
| | <u>\$10,316,825</u> |



FUND BALANCE POLICY

- Current Fund Balance Policy: 15% of General Fund Expenditures
 - FYE 2016 Budget of \$73M = \$11M (minimum)
 - Proposed Policy: 20% = \$14.5M (minimum)



UNFUNDED LIABILITIES

(based on June 30, 2013 Valuation)

➤ CalPERS Retirement

- \$232M Obligation – 77% Funded
- \$53M Unfunded

➤ OPEB Medical

- \$50M Obligation – 40% Funded
- \$30M Unfunded



UNFUNDED LIABILITIES RESPONSE for CalPERS

- CalPERS projects required contributions will increase from about 15% of salary to about 20% of salary over five years.
- Required contribution (ARC) FYE 2016 = \$5.25M
- Proposed FYE 2016 Prefund = \$250,000:
 - 105% of ARC = \$5.5M



MOTIVATION PRE-FUND CALPERS

- Reduce year-to-year changes in future budgets
- Use CalPers return on funds to reduce future obligations



UNFUNDED LIABILITIES RESPONSE for OPEB

- Unfunded Liability = \$30M
- FYE2016 OPEB Estimated Normal Cost = \$2M
- Propose continuation of prefund amount = \$3M
- Proposed Policy: 90% minimum funded level
- No target date in Policy



OFFICE BUILDING OBLIGATIONS

- 375 Beale Street projected acquisition date: January 2016
 - Contribution of \$9M; reducing obligation
 - FYE 2016 Monthly Base Financing is \$100,000
 - HOA approximately \$1M/year, SSO additional

- 939 Ellis Street monthly lease of \$91,925
 - Lease becomes \$114,906 beginning October 1, 2015



SUMMARY

Budget FYE 2016

- Budget balanced
- Reserve drawdown of \$1.3M
- Budgeted positions increased to 334
- Other Post-Employment Benefits (OPEB):
 - Contribution remains at \$3M
 - 90% Funding Target
- Additional CalPERS contribution (\$250K)
- Minimum Reserve increased to 20% of Budget



RECOMMENDATIONS

- Consider recommending that the Board of Directors:
 1. Adopt the FYE 2016 Proposed Budget
 2. Approve 20% Minimum Reserve Policy
 3. Approve 90% OPEB Funding Target Policy



NEXT STEPS

- April 15 - Held 1st Public Hearing on Proposed Fees
- May 20 – 1st Public Hearing on Proposed Budget
- June 3 – 2nd Public Hearing and Adoption of:
 1. Proposed Fees
 2. Proposed Budget